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Review of the efficiency of the administrative and financial functioning of the United Nations

United Nations procurement activities

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on United Nations procurement activities (A/69/710). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 2 March 2015.

2. The report of the Secretary-General was submitted pursuant to General Assembly resolution 68/263. In that resolution, the General Assembly, having considered the earlier reports of the Secretary-General on United Nations procurement activities,¹ requested the Secretary-General to submit a comprehensive report on United Nations procurement activities for consideration by the Assembly at its sixty-ninth session. In the present report, the Advisory Committee refers to the observations and recommendations in its previous report on procurement activities (A/67/801), where appropriate, as well as the observations and recommendations of the Board of Auditors on the financial statements of United Nations peacekeeping operations for the period from 1 July 2013 to 30 June 2014 (A/69/5 (Vol. II)).

3. In the introduction to the report, the Secretary-General indicates that the Procurement Division has reached an advanced stage in its transition from a historically transactional function to becoming a highly professionalized and strategic partner in the Organization's supply chain. The Secretary-General explains

¹ The reports of the Secretary-General on United Nations procurement activities (A/64/284 and A/67/683 and Corr.1 and 2); the pilot project on the independent procurement challenge system (A/67/683/Add.1); the response to the comprehensive report of the Office of Internal Oversight Services on United Nations procurement activities (A/67/683/Add.2); the procurement governance arrangements within the United Nations (A/64/284/Add.1); and sustainable procurement (A/64/284/Add.2).



that the modernized approach to procurement entails strategic interaction across departments, locations, operational mandates and budget cycles and that such a procurement strategy would lead to efficiency gains. It is expected that the full implementation of Umoja (see paras. 6 to 8 below) will complement this procurement strategy by enhancing the coordination of several interrelated business processes, resulting in improved efficiency and a reduction in duplicative administrative processes, among other benefits.

4. The Secretary-General indicates that the Procurement Division is undertaking several key initiatives that will further advance the strategic approach to United Nations procurement and modernize the acquisition process. The key initiatives in this regard include: (a) using Umoja business intelligence as a strategic procurement tool; (b) changing the procurement process for air charter services in order to increase competition and ensure alignment with industry best practices; (c) continuously professionalizing the Procurement Practice Group; (d) implementing an electronic tendering (e-tendering) option; and (e) planning a tailored procurement strategy for modularization.

Need for clarity in the presentation of preliminary proposals

5. The Advisory Committee notes that the report includes proposals that may require consideration and approval by the General Assembly, such as the expansion of the independent procurement challenge programme to offices away from Headquarters, regional commissions and peacekeeping operations (A/69/710, para. 46), or issues related to sustainable procurement (*ibid.*, para. 63). The Committee further notes that, in the report, these proposals have not been presented prominently or even highlighted among the actions to be taken by the Assembly. **The Committee is of the view that such proposals should have been more clearly formulated and supported by adequate analysis to facilitate their consideration by the Assembly.**

II. Transformation of United Nations procurement from transactional purchasing to supply chain management

Umoja

6. The Secretary-General indicates that the implementation of Umoja enables a modern and efficient approach to acquisitions, increasing the transparency, accountability and stewardship of resources, while improving the delivery of results and services to clients globally. He also indicates that, in order to realize the benefits of Umoja, the Procurement Division will undertake a strategic analysis of the current organizational structure and the corresponding roles and responsibilities of the Secretariat's global procurement community. Upon enquiry, the Advisory Committee was informed that, as concerns the Secretariat, the analysis would focus on identifying opportunities for the optimal delivery of procurement services globally. The Committee was also informed that, prior to the roll-out of Umoja, a thorough review of procurement processes had been undertaken to ensure that all the required procurement practices were incorporated at the design phase of the system.

7. The Secretary-General explains that Umoja's supply chain module serves as a centralized platform for interrelated business processes, such as sourcing, solicitations, logistics and contract management, receipt and inspection, as well as the payment of invoices, which, until now, have operated as functional silos. Such integration offers significant efficiency benefits and should eliminate duplicate procurement processes. Furthermore, the Secretary-General indicates that Umoja will enhance the accessibility of all offices within the global Secretariat to the Procurement Division's systems contracts, thereby facilitating the achievement of greater economies of scale through the consolidation of local procurement requirements.

8. The Advisory Committee expects that the integration offered by Umoja will ensure that duplicate procurement processes are eliminated and economies of scale achieved through improved planning and consolidation of procurement requirements. The Committee looks forward to receiving information on the impact of Umoja in future reports to the General Assembly.

Communications and Information Technology Section

9. In paragraph 7 of his report, the Secretary-General indicates that the Communications and Information Technology Section was established within the Procurement Division in 2012 to instil an appropriate governance structure for information and communications technology (ICT) procurement. He also indicates that the Section has focused on implementing new models of contracts and procurement for complex ICT programmes that will assist the Organization in achieving its mandates with increased focus on internal controls and better cost control mechanisms.

10. Upon enquiry as to who the clients of the Section were, the Advisory Committee was informed that the Section manages ICT procurement for all peacekeeping operations, Headquarters offices, offices away from Headquarters and special political missions. In this regard, its two largest clients were the Information and Communications Technology Division of the Department of Field Support and the Office of Information and Communications Technology of the Department of Management. Upon further enquiry, the Committee was informed that the Communications and Information Technology Section would achieve economies of scale in ICT procurement within the Organization by consolidating requirements and undertaking procurement at the global level. The Committee was further informed that, as the only procurement entity in the Organization specialized in ICT, the Section provided leadership and was able to leverage its experience in this highly complex area. The Committee was informed that the Section had created tools which allowed for better forecasting of client needs and assessment of requirements to assist in the awarding of contracts.

11. The Advisory Committee notes that the Board of Auditors, in its report on the financial statements of United Nations peacekeeping operations for the period from 1 July 2013 to 30 June 2014, observed weaknesses in the process of setting standards for the acquisition of ICT equipment and services (A/69/5 (Vol. II), chap. II, paras 369-373). In particular, the Board of Auditors observed that the proposals for standards for the acquisition of ICT equipment in peacekeeping operations did not spell out the operational requirements to be met, the options available for meeting those requirements or how the product or company selected

would fulfil the requirements. Furthermore, the Board noted that the proposals for the renewal of existing standards were not based on systematic user feedback and, in some cases, not based on a competitive comparison with other products on the market. The Board also observed that no evaluation of the cost of change had been undertaken in the process of either bringing in new technologies or migrating to them as standards (*ibid.*, paras. 375-377) and that significant amendments had been made in some contracts without the specific recommendations of the Headquarters Committee on Contracts (*ibid.*, paras. 378-387).

12. Taking into consideration the observations of the Board of Auditors, the Advisory Committee is of the view that greater effort needs to be made to address the disconnect between the standard-setting process in the acquisition of equipment and the operational requirements of the requisitioning offices. The Committee expects that the consolidation of ICT procurement under the Communications and Information Technology Section will help in addressing all of the weaknesses highlighted by the Board of Auditors.

Transition in solicitation methodology for long-term air charter requirements

13. The Secretary-General indicates that, in order to provide effective support to peacekeeping missions and special political missions as they comply with Security Council resolutions, the Procurement Division and the Department of Field Support are implementing a new solicitation methodology in the acquisition of air assets and logistics services with a view to allowing greater operational flexibility and the enhancement of international competition and ensuring better value for the Organization. The Secretary-General explains that, in addition to feedback from representatives of the industry and Member States, expert advice has been sought from the International Civil Aviation Organization (ICAO) to change the solicitation process for air charter requirements from invitation to bid to request for proposal. The request for proposal document outlines the Organization's logistical requirements, instead of directing how they should be met by a specific technical solution, as is the case with the invitation to bid. The Secretary-General explains that under the request for proposal methodology, the award recommendations are based on the most responsive proposal, taking into account a combination of weighted technical and commercial merits. The Secretary-General indicates that this updated solicitation methodology complies with the United Nations guiding procurement principles, while utilizing best industry practices to address increasingly complex aviation requirements. The Secretary-General also points out that the request for proposal methodology is already used by the Secretariat for other complex solicitations, such as food rations, fuel, information technology, medical and engineering requirements. Upon enquiry, the Advisory Committee was informed that, since 2012, the Secretariat had worked with ICAO, which provided technical advice and recommendations for the transition project through the Technical Cooperation Bureau of that Organization, in accordance with the terms and conditions stipulated in the project agreement.

14. In paragraphs 11 to 16 of his report, the Secretary-General discusses various aspects of the new methodology, including the requirement for bidders to commit to specified key performance indicators, such as aircraft availability, responsiveness and surge capacity, and the modernization of the technical evaluation criteria to cover operator experience, aircraft performance, personnel qualifications and safety oversight. The Secretary-General conveys the preliminary outcome of a pilot

request for proposal issued in June 2014 for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), for which 22 proposals were received by the closing date in August 2014. The Advisory Committee was also informed that in contrast to previous invitations to bid, which, on average, had drawn five vendors with limited geographic diversity, the 22 proposals that had been received represented a wide geographic span and 5 of them were first-time entrants in the United Nations procurement market. Upon enquiry, the Committee was informed that the evaluation of the proposals had taken approximately five months to complete owing to their large number and the requests for clarification to and from bidders during the evaluation period. In that regard, the Committee was informed that, with the benefit of experience and familiarization with the new evaluation system, future solicitation timelines would be significantly shortened.

15. The Advisory Committee welcomes the positive industry response reflected in the significantly increased number of vendors participating in the solicitation process, as well as their wide geographic representation, and notes that the Organization will benefit from the broader participation of vendors and a more competitive solicitation process. In the light of the increase in the number of proposals as a result of the transition to the new solicitation methodology, the Committee expects that every effort will be made to refine the evaluation process in order to reduce the amount of time it takes, while ensuring that it is fair and transparent.

16. Upon enquiry, the Advisory Committee was informed that the first step in launching a phased roll-out of the revised solicitation methodology had been the issuance of a pilot request for proposals tender in June 2014 (see para. 14 above), upon the conclusion of which, the Secretariat would analyse the benefits and areas for improvement and use the lessons learned to further refine the methodology, with full-scale implementation anticipated for the second quarter of 2015. The Committee was further informed that the request for proposals methodology was one instrument in a broader toolkit that could be utilized to respond to different types of procurement needs, such as start-up peacekeeping missions, urgent surge requirements or supply-chain optimization in established peacekeeping missions or stand-by fleet requirements.

17. The Advisory Committee recalls that, in paragraph 50 of its resolution 65/289, the General Assembly recognized the launch of a pilot project on the transition to the request for proposal methodology for the acquisition of air services, noted that best value for money was one of the four key principles for United Nations procurement, along with fairness, integrity and transparency; effective international competition; and the interest of the United Nations, according to the Financial Regulations and Rules of the United Nations, and reiterated its request to the Secretary-General to report on clear guidelines for the implementation of the best value for money methodology in United Nations procurement, including all specifics of the weighted evaluation techniques, and to submit a report on the results of the pilot project. Furthermore, in paragraph 51 of the same resolution, the Assembly requested the Secretary-General to ensure full transparency in developing the request for proposal methodology and emphasized that the development of requests for proposal would be driven by the operational requirements of the Organization.

Other initiatives

Electronic tendering pilot

18. The Secretary-General indicates that the Procurement Division initiated an e-tendering pilot project in 2014 limited to request for quotation solicitation exercises managed by the Communications and Information Technology Section. The Secretary-General also indicates that the pilot project was selected on the basis of the relatively low risk, low value (requirements not exceeding \$40,000) and simple process of requests for quotation, where efficiency gains could easily be realized. Upon enquiry, the Advisory Committee was informed that the integration of e-tendering functionality in the online vendor roster of the United Nations Secretariat had been completed and the request for quotation template configured to meet the needs of the pilot project. Accordingly, the first batch of pilot tenders would be launched by March 2015. The Committee was further informed that transparency would be ensured through targeted outreach to suppliers, collection of feedback using surveys and publishing of survey results on the website of the Procurement Division. According to the information provided to the Committee, it is expected that by the third quarter of 2015 sufficient data will have been collected from the pilot project to enable an assessment of how the pilot could be extended to other solicitation instruments and/or sections of the United Nations Secretariat. **The Committee commends the use of information technology to achieve efficiency in the processing of solicitations. The Committee stresses that every effort should be made to maintain transparency in the implementation of the project and looks forward to receiving the results of its implementation in future reports to the General Assembly.**

Food rations contracts

19. The Secretary-General indicates that in September 2012 the Procurement Division commenced the rebidding of various food rations contracts, introducing revised specifications and standards. The revised specifications were the result of a comprehensive review of food rations requirements conducted jointly by the Procurement Division and the Department of Field Support between March 2009 and August 2011, with an emphasis on quality standards and control mechanisms in order to enhance efficiency and competition. The Secretary-General indicates that, as a result of the rebidding exercise, 11 contracts have been replaced and contracts for two new peacekeeping missions, the United Nations Multidimensional Integrated Stabilization Mission in Mali and the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic, have been established. The Secretary-General notes that the average overall cost of contracts for the provision of food rations and associated services for peacekeeping missions has decreased, resulting in annual savings of approximately \$45 million and that the revised standards have led to enhanced health, food safety and quality standards through a process of inspection, certification and improved risk mitigation measures. **The Advisory Committee commends the reported improvements in the management of food rations contracts. The Committee recommends that information indicating how the savings were estimated, including such contributory factors as changes in currency exchange rates, be provided to the General Assembly at the time of its consideration of the report of the Secretary-General.**

Fuel contracts

20. The Secretary-General indicates that, in addition to undertaking the procurement of fuel requirements for the larger field missions, the Procurement Division has now assumed responsibility for the establishment of fuel contracts with smaller volumes, which had, in the past, been tendered by local procurement offices. The Secretary-General indicates that the purpose of the assuming responsibility for fuel contracts with smaller volumes is to improve service and ensure proper risk management, leveraging the accumulated expertise of the Procurement Division. He also indicates that the Office of Legal Affairs has developed United Nations-specific model contracts, which include provisions that ensure timely mobilization through liquidated damages clauses, protect against environmental liabilities and allow operational flexibility for changing needs in terms of rapid deployment or additional distribution points.

Implementation of the procurement training road map

21. In paragraph 37 of his report, the Secretary-General outlines the training courses offered by the Procurement Division at various levels through the online Procurement Training Campus and other means for requisitioners, procurement staff and contract management offices. The Secretary-General indicates that procurement staff are also able to receive online advanced training leading to professional certification and adds that by strengthening the internal control framework for the procurement function through continuous training and professionalization, the Organization continues to mitigate the risks of inefficiencies and ethical violations. Upon enquiry, the Advisory Committee was informed that the Procurement Division provided three levels of procurement training as follows: (a) basic-level training and certification provided through the Division's online Procurement Training Campus, which is mandatory for procurement staff; (b) intermediate-level training and certification offered through the Procurement Training Campus, which is optional for procurement staff depending on their functions; (c) training offered through an internationally recognized procurement institution, leading to internationally recognized certification and accreditation in procurement. The Committee was informed that the continued provision of such training for all procurement staff would depend on the availability of funding. **The Committee recognizes that the training of staff at all levels of the procurement function plays an important role in the professionalization of the procurement process across the Organization and commends the concerted efforts that have been made by the Procurement Division in this regard. The Committee stresses that such efforts should be complemented by a recruitment policy that emphasizes the selection of candidates with the up-to-date skills and competencies required to perform the key functions that will drive the transformation of United Nations procurement.**

Compliance monitoring

22. In his earlier report on procurement activities, the Secretary-General outlined the procurement assistance visit programme, which was aimed at ensuring compliance with the Financial Regulations and Rules of the United Nations, the Procurement Manual and internationally recognized best practices in procurement at peacekeeping missions and the special political missions (A/67/683, para. 18). In view of the benefits achieved through the procurement assistance visit programme,

the Secretary-General envisages its expansion to include offices away from Headquarters, regional commissions and tribunals, and in that regard, indicates that he intends to seek additional resources during the biennium 2016-2017 to cover this expansion (A/69/710, para. 40).

23. The Advisory Committee recalls that, in its audit of the financial statements of peacekeeping operations, the Board of Auditors observed various instances of non-compliance with established guidelines in the conduct of procurement activities. The Board observed cases in which increases in the value of contracts were not followed by commensurate increases in the value of performance bonds, as required by paragraph 15.7.3 (a) of the Procurement Manual. This exposed the Organization to the risk of non-performance by vendors. In that regard, the Board recommended the review of the guidelines for obtaining performance bonds (A/69/5 (Vol. II), chap. II, para. 129). The Board also observed instances in which lease agreements were extended contrary to the recommendations of the Headquarters Committee on Contracts or the local committee on contracts and recommended that the Procurement Manual be reviewed to strengthen the role of the local committee on contracts/Headquarters Committee on Contracts as an effective internal control mechanism (*ibid.*, para. 150). **The Advisory Committee stresses the need for closer monitoring of compliance to ensure strict adherence to the provisions of the Procurement Manual and other procurement rules and procedures. In this regard, the Committee expects that the Secretary-General will ensure the full implementation of the recommendations of the Board of Auditors.**

Expansion of the independent procurement challenge programme

24. Paragraphs 44 to 47 of the report provide an update of the independent procurement challenge system, established in 2009, to strengthen internal controls and promote integrity, fairness and transparency in procurement. The system offers unsuccessful bidders in tenders issued by the Procurement Division the opportunity to file challenges through a pilot Award Review Board. The Advisory Committee notes that the eligibility for submitting a procurement challenge to the Award Review Board under the pilot scheme is limited to solicitations with an estimated value of at least \$200,000 issued by the Procurement Division at Headquarters or at the Regional Procurement Office in Entebbe, Uganda. **The Committee further notes that the pilot scheme is ongoing and has been extended until 30 June 2015. The Committee considers that any expansion of the scheme into phase 1 (offices away from Headquarters (Geneva, Vienna and Nairobi)); phase 2 (regional commissions and tribunals); and phase 3 (peacekeeping missions and special political missions), should be on the basis of a detailed evaluation of its results and a review of lessons learned in order to determine if and how it should be expanded.**

Increasing business opportunities for vendors from developing countries and countries with economies in transition

25. The Secretary-General indicates that ensuring access to business opportunities for vendors from developing countries and countries with economies in transition remains a high priority for the Organization. In paragraph 51 of his report, the Secretary-General lists some activities in this regard and presents a table showing that the percentage of United Nations procurement from developing countries and countries with economies in transition increased from 40 per cent in 2009 to 55 per

cent in 2013. Upon enquiry, the Advisory Committee was informed that, out of a total of 153 countries whose vendors that were awarded contracts in 2013, 107 were developing countries, 11 were countries with economies in transition and 35 were industrialized countries. According to the information provided, the approximate distribution of contracts by value was 44 per cent for developing countries, 12 per cent for countries with economies in transition and 45 per cent for industrialized countries (see table 1 below). **The Advisory Committee notes the efforts made to promote business opportunities for vendors from developing countries and countries with economies in transition. The Committee is of the view that further progress could be made in this regard and recommends that the General Assembly request the Secretary-General to intensify his efforts to promote procurement from developing countries and countries with economies in transition.**

Table 1
Trends in procurement volume, 2009-2013

Year	Developing countries			Countries with economies in transition			Industrialized countries			Total value	Total number of countries
	Value (Thousands of United States dollars)	Number of countries	Percentage of total value	Value (Thousands of United States dollars)	Number of countries	Percentage of total value	Value (Thousands of United States dollars)	Number of countries	Percentage of total value		
2009	936	96	25.18	539	12	14.50	2 242	30	60.32	3 717	138
2010	1 026	90	30.44	596	15	17.68	1 749	34	51.88	3 371	139
2011	1 303	104	37.57	561	12	16.18	1 604	34	46.25	3 469	150
2012	1 291	99	41.83	435	12	14.10	1 360	34	44.07	3 087	145
2013	1 405	107	43.44	370	11	11.44	1 460	35	45.12	3 235	153

Note: Figures for 2011 and 2012 may have discrepancies due to rounding.

Streamlining vendor registration and management

26. The Secretary-General indicates that the introduction of Umoja and its single, global vendor roster provides an opportunity to further consolidate and streamline previously segregated vendor registration and management processes. The Secretary-General also indicates that the Procurement Division will continue to work towards the establishment of an operational framework for the global management of the United Nations Secretariat vendor roster, featuring a centralized approach for comprehensive legal and financial due diligence review and vendor sanctions. To that end, an interim master data management team operating from the Global Support Centre in Brindisi, Italy, had been established. Its review of the vendor roster resulted in the removal of duplicate, inaccurate and incomplete records. The Secretary-General further indicates that several dozen disparate vendor databases had been streamlined to a single workable platform serving all the Secretariat entities, including the field, and that the Secretariat would request that existing temporary resources be regularized in order to maintain this effort and make it sustainable.

27. Upon enquiry regarding temporary resources to be regularized, the Advisory Committee was informed that the report referred to the posts that had been temporarily reassigned from various individual missions in order to meet this

requirement and the need to formalize and regularize these posts in the new structure in order to make it sustainable. This requirement, according to the Secretary-General, should be met without a net increase in posts because of the operational efficiencies to be gained through the centralization of the function. **The Committee trusts that the streamlining and centralization of the vendor management function will result in further efficiencies and be achieved without a net increase in posts.**

Vendor Review Committee

28. The Secretary-General indicates that the Vendor Review Committee serves as a review board for: (a) applications to the Register of Vendors that do not meet the registration criteria; and (b) complaints from requisitioners and/or other United Nations staff against vendors who were alleged to have failed to perform in accordance with the terms and conditions of contracts awarded. In addition, the Secretary-General indicates that the Vendor Review Committee places special emphasis on upholding the Procurement Division's Supplier Code of Conduct and reviews allegations of proscribed practices, including but not limited to corruption, fraud, coercion, collusion, obstruction or any other unethical practices (A/69/710, para. 56). Upon enquiry, the Advisory Committee was informed that during the four-year period from 2011 to 2014, there had been 100 instances in which the Vendor Review Committee had reviewed allegations of proscribed practices involving 61 vendors, resulting in the suspension of 19 vendors from doing business with the United Nations. The Committee was also informed that other recommendations by the Vendor Review Committee included notifying the vendor, referring the case to the Office of Legal Affairs for contractual remedies or referring the case to the Office of Internal Oversight Services for investigation. In addition, the Committee was informed that there had been 55 instances involving 35 vendors in which the Vendor Review Committee had recommended reinstatement. **The Committee notes the activities of the Vendor Review Committee and looks forward to continued reporting on its activities in future reports of the Secretary-General to the General Assembly.**

Regional Procurement Office

29. The Regional Procurement Office was established in Entebbe on 15 July 2010 as a pilot project. The Office operates as an integral part of the Procurement Division, reporting to the Chief of the Field Procurement Service (A/67/683, para. 7). In paragraph 26 of his report (A/69/710), the Secretary-General indicates that the Office is led by a Section Chief and is staffed on a cost-neutral basis with 22 posts from peacekeeping missions and 2 posts from the Procurement Division. The Secretary-General indicates that in September 2013, a new governance framework was established for the Office, defining clearer procedures and policies for developing joint acquisition plans. He also indicates that, in December 2013, standard operating procedures were issued to ensure compliance with the governance framework and implement a service level agreement between the Office and its mission clients, which is expected to strengthen the engagement of the missions and enhance the timely submission of their procurement requirements. The Secretary-General indicates that, in addition to consolidating procurement at the regional level, the Office provides training to mission staff and critical support to missions undergoing expansion and deployment, and seeks to engage with regional

and local vendors. Upon request, the Advisory Committee was provided with information on the number of contracts established by the Office in 2012 and 2013 (see table 2 below), showing that, while there was an increase in the number of mission-specific contracts, there was a significant reduction in both the number and value of regional systems contracts established by the Office.

Table 2
Contracts established by the Regional Procurement Office

Year	Regional systems contracts		Mission-specific contracts	
	Number of contracts	Value (United States dollars)	Number of contracts	Value (United States dollars)
2013	15	188 341 932	45	132 664 054
2014	10	47 878 492	52	79 110 307

30. Upon request, the Advisory Committee was provided with information showing a total of \$1.7 million in annual administrative cost savings attributable to the establishment of the Regional Procurement Office (see table 3 below). According to the information provided, most of the savings (\$1 million annually) accrued from cost avoidance owing to the consolidation in the Regional Procurement Office of staff who conduct the joint acquisition of goods, as opposed to having staff conduct the same solicitations in multiple missions. In addition, the Committee was informed that savings amounting to \$973,892 had been generated by the Office from the consolidation of regional procurement requirements and economies of scale. The Committee was also informed that the Office had achieved reductions in contract rates compared to the contracts established by individual missions in the past, for an estimated net reduction over the estimated lifespan of the contracts of \$5,982,129 in mission-specific contracts.

Table 3
Annual administrative cost savings realized by the Regional Procurement Office

Description of savings	Amount (United States dollars)
Overhead savings (lower salaries and benefits at the Regional Procurement Office than at client missions)	588 324
Cost savings from non-entitlement of Regional Procurement Office staff to rest and recuperation allowance	126 707
Administrative cost avoidance owing to the consolidation of procurement activities	1 002 566
Total	1 717 597

31. In paragraph 41 of his report, the Secretary-General indicates that the revised delegation of procurement authority to the Under-Secretary-General for Field Support, effective July 2012, increased the threshold for peacekeeping mission procurement sections from \$75,000 to \$150,000, with appropriate internal controls and enhanced reporting and monitoring requirements to mitigate risks. Upon enquiry, the Advisory Committee was informed that the establishment of the

Regional Procurement Office pilot project had not affected the delegation of authority to the peacekeeping mission procurement sections. The Committee was further informed that the increased threshold was in relation to procurement sections within each of the field missions, but that the overall threshold for each mission was still within the delegated procurement authority issued by the Assistant-Secretary-General for Central Support Services on 10 July 2012, according to which, requirements estimated at an amount lower than \$500,000 (or \$1 million for core requirements such as building materials, construction, waste disposal, landscaping and leases) would be processed locally by the missions. The Committee was informed that for procurement amounts exceeding \$150,000 and up to the above-mentioned thresholds, the procurement section of each mission would still be required to obtain the recommendation of the local committee on contracts and the approval of the Director/Chief of Mission Support. **The Committee re-emphasizes the importance of well-defined and properly implemented delegation of authority to those involved in the procurement process** (see A/67/801, para. 16).

32. With regard to the present status of the Regional Procurement Office, the Advisory Committee was informed that the Office would continue as a pilot project to ensure that the quality of the services provided, as well as the goods and services procured, meet the needs of the client missions, while adhering to established rules, and that the Office would remain scalable and adaptable to the changing needs of field operations. As to whether and when it would transition from a pilot project to a regular office, the Committee was informed that, based on the results achieved by the pilot, as well as its overall benefits, the Secretary-General would support its full establishment as a permanent section of the Procurement Division. However, it was considered prudent to harmonize the full establishment of the Regional Procurement Office with the transition to a global service delivery model, about which a proposal is to be submitted to the General Assembly for consideration at the main part of its seventieth session.

33. The Advisory Committee recalls that, in its report on the financial statements of the peacekeeping operations, the Board of Auditors observed that specific elements, such as the estimated quantity (number of units) or term (number of months or years) and the date or quarter during which the goods are required to be delivered or the services or work are required to commence and be completed, were missing from the joint acquisition plan of the Regional Procurement Office for the 2013/14 period, thereby undermining its utility. The Board also noted that the joint acquisition plan for 2014/15 was still not ready at the end of August 2014. Furthermore, and of particular concern to the Committee, the Board observed that the average utilization rate of the regional systems contracts administered by the Office was only 32 per cent. The Board's recommendation in this regard was that action should be taken to increase the rate of utilization of the regional systems contracts and that missions should be prevailed upon to utilize such contracts where they are available.

34. **The Advisory Committee welcomes the benefits realized thus far by the Regional Procurement Office in terms of administrative cost savings and savings from the consolidation of the procurement requirements of the client missions. The Committee also recognizes the important role played by the Office in providing staff training and vendor outreach activities at the regional level. Taking into consideration the observations of Board of Auditors, the Committee concurs that greater effort needs to be made to increase the**

utilization of the systems contracts administered by the Office if the objective of economies of scale is to be fully realized. The Committee is of the view that missions should be required to avail themselves of the systems contracts where they are available and to justify any exception to this requirement. With regard to the future status of the Office and its possible transition from a pilot project to a permanent office within the Procurement Division, the Committee concurs with the Secretary-General that it would be prudent to harmonize the full establishment of the Regional Procurement Office with the transition to the global service delivery model.

III. Challenges

Need for further consideration of sustainable procurement

35. In paragraph 62 of his report, the Secretary-General indicates that sustainable procurement, according to the Procurement Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, integrates requirements, specifications and criteria that are compatible with and supportive of the protection of the environment, social progress and economic development, "namely by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs". In this connection, the Secretary-General also notes the recommendation of the Joint Inspection Unit that the "executive heads of the United Nations system ... should establish in-house sustainable procurement policies and guidelines, taking account of the local conditions of the host country and the needs of the field offices" (see A/65/346). According to the Secretary-General, the possible introduction of a sustainability concept with various social and environmental requirements represents one of the major development opportunities for United Nations procurement. In this regard, the Secretary-General indicates that moving forward in this area would require: (a) an analysis of cost and non-cost benefits of sustainable procurement; and (b) a definition of segments of the United Nations procurement market where the implementation of sustainable procurement would bring the most results with minimized financial and operational risks. The Secretary-General further indicates that the Procurement Division would initiate a pilot project for this purpose should the General Assembly approve this approach.

36. Upon enquiry, the Advisory Committee was informed that, according to the Secretary-General, the key elements of sustainable procurement were: (a) environmental impact, (b) development of local markets, (c) human rights, (d) labour rights, (e) gender and empowerment of women, (f) poverty eradication and (g) governance. According to the information received, sustainable procurement was not a new concept in the procurement function of the United Nations Secretariat and it was consistent with the general principles of best value for money; fairness, integrity and transparency; effective international competition; and the interest of the United Nations, which are stipulated in financial regulation 5.12 and upon which United Nations procurement is based. Furthermore, the Committee was informed that sustainable procurement could facilitate the principles of sustainable development as stated in the Plan of Implementation of the World Summit on Sustainable Development adopted in 2002.

37. According to information provided by the Secretariat, the buying power of the United Nations could be used to influence vendors, and consequently markets, through the use of sustainable criteria in the definition of its requirements from its vendors, products and services, as well as through the implementation and management of resources in its areas of operation. Furthermore, values, principles and provisions of sustainability could be factored into future acquisition projects in a phased approach to facilitate an evolution of today's procurement function. According to the Secretary-General, in order to ensure that the implementation of sustainable procurement maintains the inclusive nature of procurement in the Secretariat and the principle of effective international competition, a gradual implementation of additional provisions would complement values, principles and provisions which already exist in the Organization and in the commercial markets where the United Nations Secretariat operates. Moreover, sustainability criteria would be defined as ideals and not as mandatory requirements, in order not to limit competition, and would be introduced gradually.

38. As for the possible options for a pilot project, the Advisory Committee was informed that the Secretary-General would suggest projects in the areas of waste management, recycling and alternative energy generation, where sustainability would coincide with economic gains. The Committee was also informed that, in addition to the description of requirements for products and services, the United Nations could introduce other requirements, including the percentage use of local labour in the provision of services and certifications of environmental management.

39. **The Advisory Committee takes note of the preliminary proposals presented by the Secretary-General and recalls that the United Nations system has been called upon to improve the management of facilities and operations by taking into account sustainable development practices, building on existing efforts and promoting cost-effectiveness, in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States (General Assembly resolution 66/288, para. 96). The Committee recalls, however, that the General Assembly has not considered for approval the concept of environmentally friendly and sustainable procurement, and has requested the Secretary-General to prepare a comprehensive report on the content of and criteria for such a concept, including its possible impact on the diversification of the origin of vendors and on international competition (see resolution 62/269). In this regard, the Committee is of the view that, in order for the Assembly to consider this matter, more work needs to be done by the Secretary-General to refine the understanding of the concept of environmentally friendly and sustainable procurement and how it can be applied in practical terms to the United Nations. The Committee therefore recommends that the Assembly request the Secretary-General to address this issue comprehensively in his next report on procurement at the United Nations. The Committee considers it premature for the Secretary-General to proceed with any pilot project on sustainable procurement at this time.**

Accountability

40. The Advisory Committee recalls that in its report on the financial statements of peacekeeping operations for the period ended 30 June 2014, the Board of Auditors cites several cases in which non-compliance with established rules and

guidelines, delays, lack of monitoring and timely action by staff or apparent carelessness resulted in waste or inefficient use of resources. In particular cases, the Board was able to provide an estimate of the resulting financial loss to the Organization or has highlighted the risk thereof (A/69/5/ (Vol. II), chap. II, paras. 121, 127, 138). With regard to the charter of aircraft, the Board observed that delays in the solicitation process for new contracts resulted in the extension of the old contracts beyond their original duration period at a higher cost than that of the new contract from the same vendor. The Board noted that such additional costs would have been avoided had the respective solicitation processes been initiated and the new contracts awarded in a timely manner. **The Advisory Committee notes that, although similar cases have been cited by the Board of Auditors in the past, there has been no indication of individual accountability being assigned and action being taken to that effect.** The Committee comments further on personal and financial accountability in its report on the accountability system in the United Nations Secretariat (A/69/802).

IV. Other matters

Recent procurement trends

41. The Secretary-General indicates that the United Nations Secretariat was responsible for the largest procurement volume of all United Nations system organizations in 2012 (\$3.1 billion) and 2013 (\$3.2 billion), with air transportation services, fuel and petroleum products, as well as food rations, being the highest value acquisitions. Upon request, the Advisory Committee was provided with historical information showing that, with the exception of 2009 (\$3.7 billion) and 2012 (\$3.1 billion), the value of procurement over the period from 2008 to 2014 has remained between \$3.2 and \$3.5 billion annually (see table 4 below).

Table 4
Procurement trends from 2008 to 2014

Year	Value of procurement (United States dollars)
2014 (estimate)	3 353 959 574
2013	3 234 861 344
2012	3 086 892 401
2011	3 468 829 320
2010	3 370 627 438
2009	3 717 369 614
2008	3 332 720 728

42. Upon request, the Advisory Committee was provided with a breakdown of procurement for 2012 and 2013, listed by major categories of goods and services, which showed that the largest major category for the two periods was air transportation services (see table 5 below). The information provided also showed that in 2013 there were significant increases in the value of procurement under the categories of: chemical and petroleum products — from \$368 million (12 per cent)

in 2012 to \$549 million (17 per cent) in 2013; management services — from \$75 million (2 per cent) in 2012 to \$127 million (4 per cent) in 2013; maintenance and repair services — from \$62 million (2 per cent) in 2012 to \$120 million (4 per cent) in 2013; and prefabricated buildings — from \$26 million (1 per cent) in 2012 to \$44 million (1 per cent); cleaning and waste disposal services — from \$25 million (1 per cent) in 2012 to \$39 million (1 per cent) in 2013. The table also shows significant reductions in the value of procurement under freight forwarding and delivery services — from \$187 million (6 per cent) in 2012 to \$106 million (3 per cent) in 2013.

43. The Advisory Committee was informed, upon enquiry, that the increase in procurement value under chemical and petroleum products could be attributed to increased expenditures due mainly to the increase in the African Union Mission in Somalia (AMISOM) troop strength and the commencement of aviation fuel operations for the United Nations Support Office for AMISOM (UNSOA); the deployment of the United Nations Force Intervention Brigade in MONUSCO; and the establishment of camps and increased mission activity at the United Nations Mission in South Sudan and the African Union/United Nations Hybrid Operation in Darfur (UNAMID). The Committee was informed that the increase under management services was due to increased requirements for consultancy services with the implementation of the International Public Accounting Standards and Umoja and for validating insurance claims after Storm Sandy. It was also explained that UNAMID had erroneously used the management services commodity code to record food rations purchase orders in the amount of \$23 million in 2013 and had been requested to correct the error. The Committee was informed that the increase under maintenance and repair services was attributable to activities related to the capital master plan and increased requirements for information technology services. It was again explained that UNAMID had erroneously used the maintenance and repair services commodity code to record purchase orders for fuel in the amount of \$18 million in 2013 and had been requested to correct the error. The Committee was informed that the increase under prefabricated buildings was mainly attributable to support by UNSOA to the United Nations Assistance Mission in Somalia and the expansion of the troop presence in Somalia.

Table 5

Procurement by major categories of goods and services, 2012 and 2013

	2013		2012	
	(United States dollars)	Percentage of total	(United States dollars)	Percentage of total
Air transportation services	669 820 771.55	21	696 546 916.91	23
Chemical and petroleum products	548 660 133.94	17	368 018 241.78	12
Food rations/catering services	251 642 496.48	8	252 967 913.05	8
Architecture, engineering and construction-related services	239 358 906.29	7	212 653 294.90	7
Rental and lease	153 214 795.26	5	147 488 173.57	5
Management services ^a	127 226 198.35	4	74 772 354.24	2
Maintenance and repair services	120 076 131.10	4	61 741 269.12	2
Freight forwarding and delivery services	106 153 694.19	3	187 277 314.21	6

	2013		2012	
	(United States dollars)	Percentage of total	(United States dollars)	Percentage of total
Telecommunications equipment and services ^a	88 735 612.13	3	98 654 996.85	3
Electronic data-processing equipment and maintenance services ^b	86 801 267.56	3	76 942 824.36	2
Motor vehicles/parts and transportation equipment	66 402 929.62	2	63 185 010.85	2
Computer and information technology-related services ^b	53 847 392.79	2	49 706 301.00	2
Travel and related services	48 946 431.88	2	50 757 403.31	2
Prefabricated buildings	44 564 047.43	1	25 739 119.79	1
Cleaning and waste disposal services	39 451 559.76	1	24 907 543.56	1
Other (including all procurement from offices away from Headquarters, regional commissions and criminal tribunals) ^a	589 958 976.06	18	695 533 723.52	23
Total	3 234 861 344.38		3 086 892 401.02	

^a Managed in part by the Communications and Information Technology Section.

^b Managed by the Communications and Information Technology Section.

V. Conclusion and recommendation

44. Subject to its observations and recommendations in the preceding paragraphs, the Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General (A/69/710).